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U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

**IN THE MATTER
-OF-**

CASE NO. 98-02675-5-ATS

INTERNATIONAL HERITAGE, INC.

CHAPTER 7

DEBTORS

**RESPONSE TO APPLICATION TO EMPLOY ATTORNEY
AND REQUEST FOR TELEPHONE CONFERENCE**

NOW COMES the Bankruptcy Administrator and herewith submits this response to the Application by Trustee for Authority to Employ and Appoint Attorney by Holmes P. Harden, the court-appointed Chapter 7 trustee ("Trustee"):

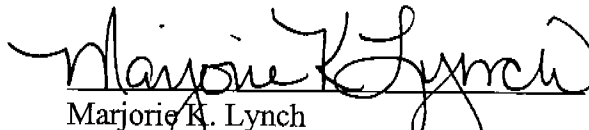
1. The Trustee seeks to employ Holmes P. Harden. as attorney for trustee in the above-referenced bankruptcy case.
2. The Trustee represents that the value of the Debtor's assets is \$5,431,040.39; the amount of the Debtor's liabilities is \$12,907,614.65; and the Debtor's secured claims total \$5,827,000.00. The case would exceed \$500,000.00 in total assets.
3. The Trustee wishes to employ an attorney to a) identify legal problems which may arise in the administration of the estate; to examine security agreements, deeds of trust and other instruments which may constitute liens upon the property of the estate; to identify and examine liens; to determine the validity and priority of all security agreements, liens and encumbrances; to investigate any additional assets and any rights which the trustee may have to property of the estate; to examine and research all legal problems which may arise in the administration of the estate; to negotiate settlements of legal disputes and to generally advise the trustee upon any legal matters which may arise in the course of the administration of the estate; b) to negotiate with the Securities and Exchange Commission for a settlement of pending litigation against the

debtor in the United States District Court for the Northern District of Georgia; c) to carefully examine tax and other records to determine what property constitutes part of the bankruptcy estate; d) to investigate any recent payments and transfers of property made by the debtor; and e) to investigate the merits of existing litigation involving the debtor and the advisability of initiating litigation to bring assets into the estate.

4. The Trustee's Application should be reviewed by the court in light of the court's expressed policy of discouraging the employment of the trustee's own law firm as attorney for trustee in cases where assets exceed \$500,000.00.

WHEREFORE, the Bankruptcy Administrator respectfully requests that a telephone conference on the Trustee's Application to Employ Attorney be scheduled by the court to consider whether the appointment of the Trustee's law firm in this instance will constitute a violation of the court's policy of discouraging the employment of the trustee's own law firm in cases where assets exceed \$500,000.00; and, regardless of whether the instant Application violates that policy, whether the employment of the Trustee's law firm to serve as attorney for trustee in this case is in the best interest of the estate and its creditors and such other relief as the court deems just and proper.

Respectfully submitted, this the 8th day of January, 1999.


Marjorie K. Lynch
United States Bankruptcy Administrator

Post Office Box 3039
Raleigh, North Carolina 27602-3039
(919) 856-4886

CERTIFICATE OF SERVICE

I, Karen T. Hayes, of Post Office Box 3039, Raleigh, North Carolina, 27602-3039, certify:

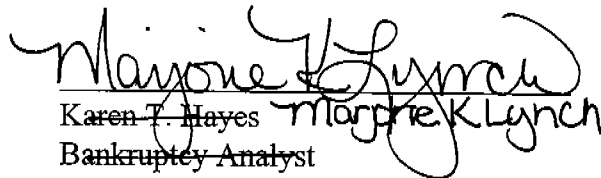
That I am, and at all times hereinafter mentioned was, more than eighteen (18) years of age; that on the 8th day of January, 1999, I served copies of the foregoing document on the following:

Holmes P. Harden
Attorney at Law
P.O. Drawer 19764
Raleigh, NC 27619

by depositing a copy thereof in an envelope bearing sufficient postage in the United States mail.

I certify under penalty of perjury that the foregoing is true and correct.

Dated this 8th day of January, 1999.


Karen T. Hayes
~~Bankruptcy Analyst~~
Bankruptcy Administrator's Office
Eastern District of North Carolina
Post Office Box 3039
Raleigh, North Carolina 27602-3039